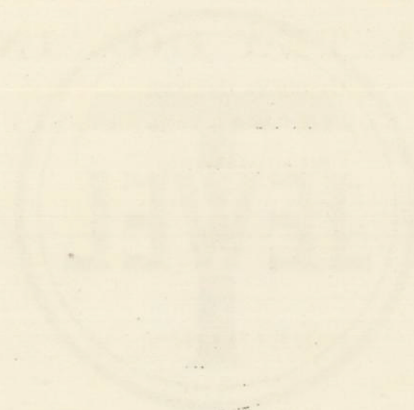


ANNUAL REPORT—1929

JEWEL TEA CO., INC.
NEW YORK CHICAGO



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UNITED STATES DEPARTMENT OF THE INTERIOR
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JEWEL TEA CO., INC.

GENERAL OFFICES
FIVE NORTH WABASH AVENUE
CHICAGO, ILLINOIS

DIRECTORS:

JOHN M. HANCOCK, *Chairman*

HENRY S. BOWERS
M. H. KARKER
F. M. KASCH
ARTHUR LEHMAN

HERBERT H. LEHMAN
JOHN C. REGAN
ARTHUR SACHS
H. J. TAYLOR

OFFICERS:

JOHN M. HANCOCK

Chairman of the Board of Directors

M. H. KARKER, *President*
JOHN C. REGAN, *Vice-President*
H. J. TAYLOR, *Vice-President*
F. M. KASCH, *Treasurer*

R. E. NAGLER, *Asst. Treas.*
J. M. FRIEDLANDER, *Asst. Treas.*
W. D. SMITH, *Secretary*
ROBERT W. MUIR, *Asst. Secy.*

TRANSFER AGENT:

IRVING TRUST COMPANY, 60 Broadway, New York City

REGISTRAR:

THE COMMERCIAL NATIONAL BANK & TRUST COMPANY
56 Wall St., New York City

AUDITORS:

TOUCHE, NIVEN & CO., *Public Accountants, New York and Chicago*

JEWEL TEA CO., INC.
FIVE NORTH WABASH AVENUE
CHICAGO, ILL.

February 8, 1930.

TO THE STOCKHOLDERS:

THE balance sheet of your company for the fiscal year ended December 28, 1929, together with statements of income and surplus accounts, is presented herewith.

Net profit for the year was \$1,691,302.02, as compared with \$1,530,888.70 for 1928. Earnings were at the rate of \$6.04 per share on the 280,000 shares of common stock outstanding at the end of the year. A comparison of sales and earnings for the last nine years may be found on the last page of this report.

Total sales amounted to \$16,844,110.25, an increase of \$873,217.70, or 5.47%. The number of units in operation increased from 1,121 to 1,215. The cost of adding the 94 new routes was included in current expenses.

Net working capital was \$3,226,153.89, and the ratio of current assets to liabilities was 3.67 to 1. Cash and marketable securities totaled \$2,638,113.94 of which \$2,047,566.42 appears as current assets and \$590,547.52 is the fund remaining for completion of the headquarters office and midwest plant.

With a portion of the proceeds received from the sale of 40,000 shares of common stock on January 18, 1929 all of the preferred stock outstanding was retired on April 1, 1929. On June 20, a 75% stock dividend increased the number of shares of common stock to 280,000. Since this increase in the number of shares a regular quarterly dividend rate of 75c per share has been maintained and an extra dividend of \$1 per share was paid in November. Cash dividend provisions during the year totaled \$1,230,000, equal to \$4.39 per share on the 280,000 shares now outstanding.

Construction of the headquarters office and midwest plant at Barrington, Ill., was started in the summer of 1929, and the building is nearing completion. Machinery and equipment is now being installed and operations there are expected to begin soon after April 1, 1930. An ideal of beauty, sanitation and efficiency is approaching realization and inspection by stockholders will be warmly appreciated.

The experimental merchandising of coffee and tea through retail stores was continued in Hartford, Conn., and the cost of such laboratory operations in the development of that method of marketing was charged to the reserve for contingencies. \$40,000 was appropriated from surplus for this purpose.

On January 18, 1930 your company entered into a management contract with the officers and directors of the Club Aluminum Utensil Co. to provide executive management for that company for the succeeding three years. This contract contemplates the furnishing of one man, a vice-president of the Jewel Tea Co., Inc., to head the Club organization, together with advice, counsel, and incidental services. Your company is assuming no responsibility, direct or indirect, for the debts, claims, contracts, obligations, or liabilities of any nature whatsoever of the Club Aluminum Utensil Co. at any time whatsoever. Your company will be compensated at a rate sufficient to cover out-of-pocket expenditures and will share in any profits produced during the life of the contract.

The results of the operations of your company for the year 1929 are very gratifying and the management is happy to acknowledge its debt for the loyalty and effective work of employees and for the continued confidence and support of our customers and stockholders.

M. H. KARKER, President.

For the Board of Directors:

JOHN M. HANCOCK,

Chairman.

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JEWEL TEA BALANCE SHEET, I

ASSETS

CURRENT ASSETS:

Cash		\$ 648,139.96	
Investments, at cost or market, whichever is lower, including accrued interest—			
Federal bonds	\$1,815,139.81		
Equipment notes and bankers' acceptances.....	321,418.01		
	<u>\$2,136,557.82</u>		
Less unexpended balance of appropriation for plant and office building fund.....	737,131.36		
		1,399,426.46	
Common stock held for employees, at cost, less payments thereon		290,052.47	
Accounts receivable—			
Trade customers	\$ 312,774.70		
Miscellaneous	171,722.88		
	<u>\$ 484,497.58</u>		
Less reserve for doubtful accounts.....	66,701.44		
		417,796.14	
Inventories at cost or market, whichever is lower—			
Groceries	\$1,173,368.81		
Premiums	426,834.52		
		1,600,203.33	
Trust fund investments (Surety deposits, per contra).....		80,988.97	
			\$4,436,607.33

PLANT AND GENERAL OFFICE BUILDING FUND:

Amount appropriated	\$1,510,000.00		
Less expenditures to date.....	772,868.64		
	<u>\$ 737,131.36</u>		
Less December estimates paid in January.....	146,583.84		
			590,547.52

DEFERRED CHARGES:

Premiums (at cost) advanced to customers.....	\$ 931,287.56		
Less reserve for doubtful accounts.....	223,386.37		
		\$ 707,901.19	
Prepaid insurance, licenses, etc.....		53,051.62	
Inventory of expense supplies.....		43,314.69	
			804,267.50

CAPITAL ASSETS:

Land at branches.....		\$ 42,824.57	
Plant and general office building.....		919,452.48	
Buildings at branches.....	\$ 80,068.28		
Machinery, furniture and fixtures at plants.....	477,901.98		
Delivery and branch equipment.....	923,595.35		
	<u>\$1,481,565.61</u>		
Less reserve for depreciation.....	715,723.34		
		765,842.27	
			1,728,119.32

GOODWILL

1.00
\$7,559,542.67

A CO., INC.
DECEMBER 28, 1929

LIABILITIES

CURRENT LIABILITIES:

Letters of credit and acceptances.....	\$ 201,534.48	
Accounts payable, trade.....	129,936.07	
Other accounts and wages payable.....	390,932.16	
Federal income tax, 1929.....	197,061.76	
Dividend payable, January 15, 1930.....	210,000.00	
Surety deposits (Trust fund investments, per contra).....	80,988.97	
	<hr/>	\$1,210,453.44

RESERVE FOR CONTINGENCIES 117,979.05

NET WORTH:

Common stock, no par value—		
Authorized300,000 shares		
Unissued 20,000 shares		
	<hr/>	
Issued and outstanding.....280,000 shares	\$4,240,000.00	
Earned surplus, per annexed statement.....	1,991,110.18	
	<hr/>	6,231,110.18

CONTINGENT LIABILITY:

For letters of credit issued against contracts for coffee not shipped
at December 28, 1929\$234,700.00

\$7,559,542.67

JEWEL TEA CO., INC.
INCOME AND SURPLUS ACCOUNT FOR THE YEAR ENDED
DECEMBER 28, 1929

NET SALES		\$16,844,110.25
LESS COST OF SALES , including raw materials, labor, supplies, operating expenses, depreciation, etc.....		15,261,904.36
NET PROFIT FROM OPERATIONS		\$ 1,582,205.89
OTHER INCOME:		
Interest and discount earned.....	\$ 272,940.25	
Miscellaneous	33,217.64	
		306,157.89
NET PROFIT , before federal income tax.....		\$ 1,888,363.78
LESS PROVISION FOR FEDERAL INCOME TAX		197,061.76
NET PROFIT FOR THE PERIOD		\$ 1,691,302.02
DEDUCT:		
Recapitalization expenses and other surplus adjustments.....	\$ 14,505.79	
Appropriated for reserve for contingencies.....	40,000.00	
Dividends paid on common stock—		
Cash	\$1,230,000.00	
Stock (75% of 160,000 shares outstanding at assigned value of \$1.00 per share).....	120,000.00	
		1,350,000.00
		1,404,505.79
		\$ 286,796.23
SURPLUS BALANCE , December 29, 1928.....		1,704,313.95
EARNED SURPLUS , December 28, 1929.....		\$ 1,991,110.18

WE have audited the books and accounts of the JEWEL TEA CO., INC., for the year ended December 28, 1929, and hereby certify that the balance sheet and accompanying income and surplus account are in accordance therewith, and exhibit, in our opinion, a correct statement of the financial position of the Company at that date and the results of operations for the period then ended.

CHICAGO, January 30, 1930.

TOUCHE, NIVEN & CO., Public Accountants.

CAPITALIZATION HISTORY

PRESENT CAPITAL STRUCTURE—280,000 SHARES OF NO-PAR VALUE COMMON STOCK.

When the company was incorporated in 1916 in the State of New York, 40,000 shares of 7% preferred and 120,000 shares of common were issued, each stock having a par value of \$100.

In February, 1925, the common stock was changed to no-par with an assigned value of \$1 per share.

Authorized common stock was increased from 120,000 shares to 300,000 in December, 1928. Rights were then offered stockholders to subscribe to one share of common at \$100 for every three shares held which raised the outstanding common to 160,000 shares.

On April 1, 1929, the 25,600 outstanding shares of preferred stock were redeemed at \$125 per share and accrued dividend. The balance of 14,400 shares had previously been retired in accordance with the provisions of the charter for redemption of preferred stock.

On June 20, 1929, a 75% stock dividend increased the outstanding common to 280,000 shares.

* * * * *

Cash dividends on common stock were initiated in April, 1928, by the payment of \$1 per share which was continued quarterly until the issue was increased to 280,000 shares. Dividends on the larger number of shares have been paid at the quarterly rate of 75 cents per share since July, 1929.

Extra dividends of \$1 per share were paid in December, 1928, June, 1929, and November, 1929.

TABLE OF COMPARATIVE SALES AND EARNINGS

Year	Units†	SALES		EARNINGS	
		Weekly Avg. Per Unit	Total	Amount	Per Share on Common Stock*
1921	1,005	\$206.30	\$11,210,388	\$ 321,457	\$1.15
1922	994	197.69	10,240,810	152,149	.54
1923	998	241.87	12,554,875	624,200	2.23
1924	1,030	255.47	13,602,745	855,076	3.05
1925	1,059	256.33	14,178,478	838,947	3.00
1926	1,090	260.52	14,568,258	1,258,052	4.49
1927	1,096	256.07	14,532,336	1,261,391	4.50
1928	1,121	277.68	15,970,893	1,530,888	5.47
1929	1,215	274.60	16,844,110	1,691,302	6.04

†Number of units in operation at end of year.

*Based on 280,000 shares.

